

Grundy Center Community School District

**Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings**

June 30, 2007

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Grundy Center Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2006 Election)

Dan Davie	President	2006
Keely Harken	Vice President	2007
Mark Dunnick	Board Member	2007
Donnarae Cranston	Board Member	2006
Doug Jordan	Board Member	2008

Board of Education

(After September 2006 Election)

Keely Harken	President	2007
Mark Dunnick	Vice President	2007
Kelly Matthews	Board Member	2009
Gene Sandell	Board Member	2009
Doug Jordan	Board Member	2008

School Officials

John Stevens	Superintendent	2007
Mary Boege	District Secretary/Treasurer and Business Manager	2007
T.J. Heronimus	Attorney	2007

Independent Auditor's Report

To the Board of Education of
Grundy Center Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Grundy Center Community School District, Grundy Center, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

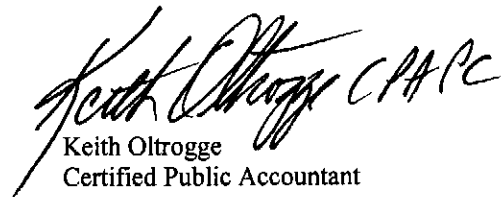
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Grundy Center Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated December 14, 2007 on my consideration of Grundy Center Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grundy Center Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge
Certified Public Accountant

December 14, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Grundy Center Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,382,571 in fiscal 2006 to \$5,283,303 in fiscal 2007, and General Fund expenditures decreased from \$5,432,299 in fiscal 2006 to \$5,421,533 in fiscal 2007. The District's General Fund balance decreased from \$1,092,628 in fiscal 2006 to \$955,068 in fiscal 2007, a 12.5% decrease.
- The decrease in General Fund revenues was attributable to a decrease in local tax and federal grant revenue in fiscal 2007. The decrease in expenditures was due primarily to a decrease in student services.
- A decrease in the District's General Fund balance resulted in the District's solvency ratio decreasing from 20.1% in fiscal 2006 to 17.6% in fiscal 2007. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Grundy Center Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Grundy Center Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Grundy Center Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Grundy Center Community School District Annual Financial Report

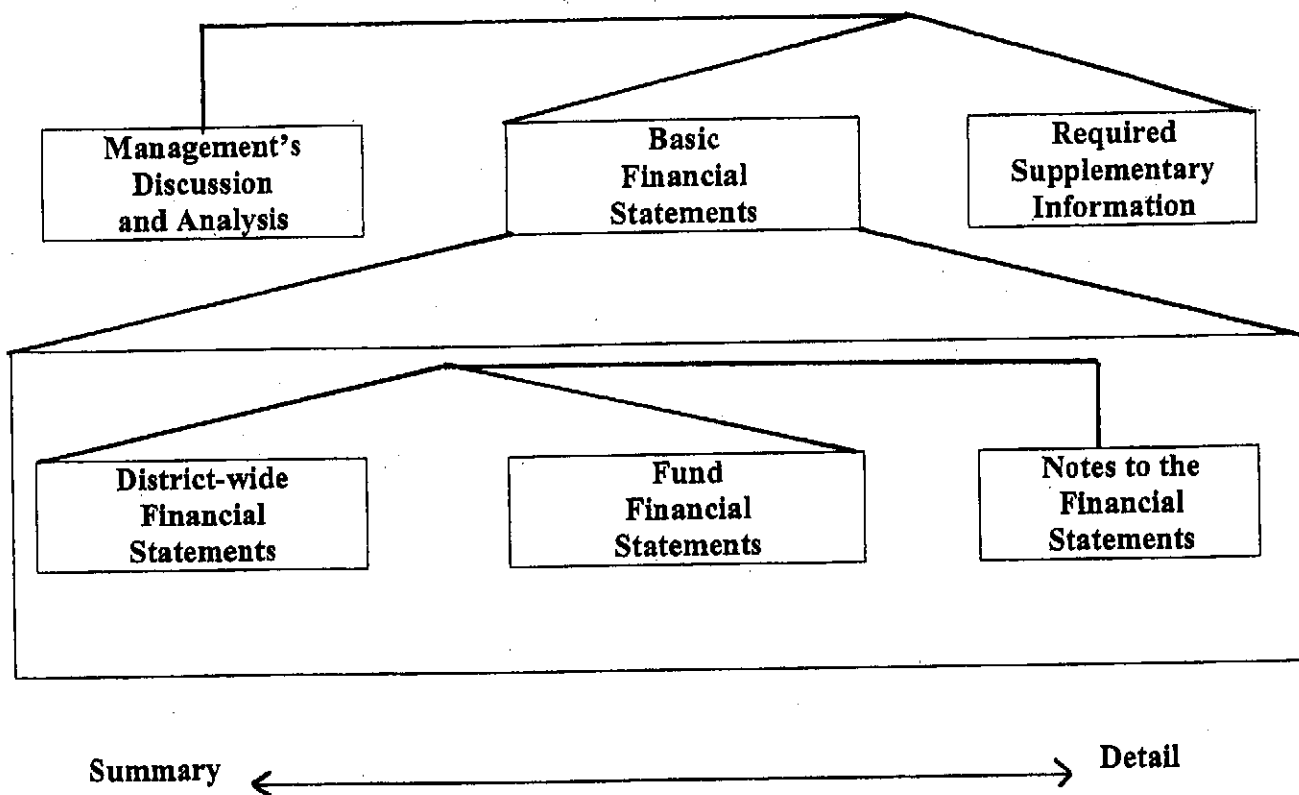


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Funds – The District accounts for outside donations for scholarships for individual students in these funds.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Current and other assets	\$3,850,704	\$3,932,603	\$5,174	\$2,983	\$3,855,878	\$3,935,586	-2.1%
Capital assets	5,600,247	5,554,485	48,453	49,420	5,648,700	5,603,905	.08%
Total assets	\$9,450,951	\$9,487,088	\$53,627	\$52,403	\$9,504,578	\$9,539,491	-.04%
Long-term liabilities	\$2,674,142	\$3,137,860	\$-	\$-	\$2,674,142	\$3,137,860	-17.3%
Other liabilities	2,523,253	2,571,486	23,734	15,955	2,546,987	2,587,441	-1.6%
Total liabilities	\$5,197,395	\$5,709,346	\$23,734	\$15,955	\$5,221,129	\$5,725,301	-9.7%
Net assets:							
Invested in capital assets, net of related debt	\$3,281,748	\$2,808,928	\$20,306	\$49,420	\$3,302,054	\$2,858,348	13.4%
Restricted	-	-	-	-	-	-	-
Unrestricted	971,808	968,814	9,587	-12,972	981,395	955,842	2.6%
Total net assets	\$4,253,556	\$3,777,742	\$29,893	\$36,448	\$4,283,449	\$3,814,190	11.00%

The District's combined net assets increased by approximately 11%, or \$470,000, over the prior year. The largest portion of the District's net assets is the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District does not have any restricted net assets at June 30, 2007.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$26,000, or 2.6%.

Figure A-4 shows the change in net assets for the year ended June 30, 2007.

Figure A-4
Changes in Net Assets

	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$860,243	\$187,445	\$1,047,688
Operating grants, contributions and restricted interest	702,112	132,444	834,556
Capital grants, contributions and restricted interest	25,000	-	25,000
General revenues:			
Property tax	2,501,957	-	2,501,957
Local option sales and service tax	339,694	-	339,694
Unrestricted state grants	2,249,253	-	2,249,253
Unrestricted investment earnings	46,570	360	46,930
Other	3,996	1,806	5,802
Total revenues	\$6,728,825	\$322,055	\$7,050,880
Program expenses:			
Governmental activities:			
Instruction	\$4,227,948	\$-	\$4,227,948
Support services	1,721,640	-	1,721,640
Non-instructional programs	-	328,610	328,610
Other expenses	303,423	-	303,423
Total expenses	\$6,253,011	\$328,610	\$6,581,621
Change in net assets	\$475,814	\$-6,555	\$469,259

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,728,825 and expenses were \$6,253,011. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-2007	2007	2006	Change 2006-2007
Instruction	\$4,227,948	\$3,034,294	28%	\$2,884,176	\$1,560,301	46%
Support Services	1,721,640	1,779,354	-3%	1,503,057	1,665,633	-11%
Non-instructional programs	-	-	-	-	-	-
Other expenses	303,423	337,256	-11%	278,423	337,256	-21%
Totals	\$6,253,011	\$5,150,904	-18%	\$4,665,656	\$3,563,190	24%

- The cost financed by users of the District's programs was \$860,243.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$709,245.
- The net cost of governmental activities was financed with \$2,501,957 in property and other taxes and \$2,249,253 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$320,290 and expenses were \$328,610. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Grundy Center Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,352,801, below last year's ending fund balances of \$1,395,066. The primary reason for the decrease in combined fund balances in fiscal 2007 is due to expenditures exceeding revenues for the year.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,092,628 to \$955,068.
- The Physical Plant and Equipment Levy (PEEL) Fund balance increased from \$76,010 in fiscal 2006 to \$114,363 in fiscal 2007.
- The Capital Projects Fund balance increased from \$121,496 in fiscal 2006 to \$135,768 in fiscal 2007.
- The Management Levy Fund ended fiscal 2007 with a balance of \$1,965. This is an increase of \$27,537 from fiscal 2006.

Proprietary Fund Highlights

- School Nutrition Fund net assets decreased from \$36,448 at June 30, 2006 to \$29,893 at June 30, 2007, representing a decrease of approximately 18%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Grundy Center Community School District amended its annual budget one time to reflect additional expenditures associated with SILO Levy and Physical Plant and Equipment Levy expenses and Nutrition Fund expenses.

The District's receipts were \$35,100 less than budgeted receipts, a variance of .4%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$5.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of .8% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$314,623.

The original cost of the District's capital assets was \$11.1 million. Governmental funds account for \$11.0 million, with the remainder of \$.1 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Land	\$21,252	\$21,252	\$-	\$-	\$21,252	\$21,252	-
Buildings	3,891,416	3,823,031	-	-	3,891,416	3,823,031	2%
Improvements other than buildings	218,789	217,348	-	-	218,789	217,348	.6%
Furniture and equipment	1,468,790	1,492,854	48,453	49,420	1,517,243	1,542,274	-2%
Totals	\$5,600,247	\$5,554,485	\$48,453	\$49,420	\$5,648,700	\$5,603,905	.8%

Long-Term Debt

At June 30, 2007, the District had \$2,674,142 in general obligation, notes payable and other long-term debt outstanding. This represents a decrease of approximately 15% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2007	2006	2006-2007
Revenue bond	\$765,000	\$850,000	-10%
General obligation bonds	1,430,000	1,675,000	-15%
Capital leases	14,305	31,937	-55%
Notes payable	109,194	188,620	-42%
Early retirement	352,202	388,117	-9%
Accrued vacations	3,441	4,186	-18%
Totals	\$2,674,142	\$3,137,860	-15%

ECONOMIC FACTORS BEARING ON THE DISTRICTS FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future.

- The District has experienced increasing enrollment which brings with it an increase in tax dollars and state aid.
- The District has evaluated the condition of its bus garage and determined it must be replaced during fiscal 2008. To pay for the new building, the District will use a combination of resources from the General Fund and the Physical Plant and Equipment Levy Fund.
- Expected increases in fuel and heating costs are a concern during fiscal 2008. They will have an adverse effect on the District's General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Boege, District Secretary/Treasurer and Business Manager, Grundy Center Community School District, 1301-12th Street, Grundy Center IA 50638.

Basic Financial Statements

Grundy Center Community School District

Statement of Net Assets

June 30, 2007

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,299,996	\$ 50	\$ 1,300,046
Receivables:			
Property tax:			
Delinquent	42,022	-	42,022
Succeeding year	2,446,470	-	2,446,470
Accounts	2,129	432	2,561
Due from other funds	7,807	-	7,807
Due from other governments	52,280	3,444	55,724
Inventories	-	1,248	1,248
Capital assets, net of accumulated depreciation	5,600,247	48,453	5,648,700
Total Assets	\$ 9,450,951	\$ 53,627	\$ 9,504,578
Liabilities			
Excess of warrants over bank balance	\$ -	\$ 11,843	\$ 11,843
Due to other funds	-	7,807	7,807
Accounts payable	46,061	-	46,061
Salaries and benefits payable	5,372	-	5,372
Accrued interest payable	25,350	-	25,350
Deferred revenue-succeeding year property tax	2,446,470	-	2,446,470
Deferred revenue-other	-	4,084	4,084
Long-term liabilities:			
Portion due within one year:			
Revenue bond	85,000	-	85,000
General obligation bonds payable	130,000	-	130,000
Capital lease	5,919	-	5,919
Notes payable	83,702	-	83,702
Early retirement	55,314	-	55,314
Accrued vacations	3,441	-	3,441
Portion due after one year:			
Revenue bond	680,000	-	680,000
General obligation bonds payable	1,300,000	-	1,300,000
Capital lease	8,386	-	8,386
Notes payable	25,492	-	25,492
Early retirement	296,888	-	296,888
Total Liabilities	\$ 5,197,395	\$ 23,734	\$ 5,221,129
Net Assets			
Invested in capital assets, net of related debt	\$ 3,281,748	\$ 20,306	\$ 3,302,054
Unrestricted	971,808	9,587	981,395
Total Net Assets	\$ 4,253,556	\$ 29,893	\$ 4,283,449

See notes to financial statements.

Grundy Center Community School District

Statement of Activities

Year Ended June 30, 2007

	Expenses	Charges for Services	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Functions/Programs</u>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,724,029	\$ 405,815	\$ 509,806	\$ -
Special instruction	677,139	80,516	42,408	-
Other instruction	826,780	288,660	16,567	-
	<u>\$ 4,227,948</u>	<u>\$ 774,991</u>	<u>\$ 568,781</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 95,360	\$ -	\$ 4,732	\$ -
Instructional staff services	252,287	-	-	-
Administration services	613,142	-	-	-
Operation and maintenance of plant services	540,007	-	2,700	-
Transportation services	220,844	85,252	125,899	-
	<u>\$ 1,721,640</u>	<u>\$ 85,252</u>	<u>\$ 133,331</u>	<u>\$ -</u>
Non-instructional programs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ -	\$ -	\$ -	\$ 25,000
Long-term debt interest	108,444	-	-	-
AEA flow-through	194,979	-	-	-
	<u>\$ 303,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>
Total Governmental Activities	<u>\$ 6,253,011</u>	<u>\$ 860,243</u>	<u>\$ 702,112</u>	<u>\$ 25,000</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 328,610	\$ 187,445	\$ 132,444	\$ -
Total	<u>\$ 6,581,621</u>	<u>\$ 1,047,688</u>	<u>\$ 834,556</u>	<u>\$ 25,000</u>

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total	
\$	-1,808,408	\$	-	\$	-1,808,408
	-554,215		-		-554,215
	-521,553		-		-521,553
\$	-2,884,176	\$	-	\$	-2,884,176
\$	-90,628	\$	-	\$	-90,628
	-252,287		-		-252,287
	-613,142		-		-613,142
	-537,307		-		-537,307
	-9,693		-		-9,693
\$	-1,503,057	\$	-	\$	-1,503,057
\$	-	\$	-	\$	-
\$	25,000	\$	-	\$	25,000
	-108,444		-		-108,444
	-194,979		-		-194,979
\$	-278,423	\$	-	\$	-278,423
\$	-4,665,656	\$	-	\$	-4,665,656
\$	-	\$	-8,721	\$	-8,721
\$	-4,665,656	\$	-8,721	\$	-4,674,377

Grundy Center Community School District

Statement of Activities

Year Ended June 30, 2007

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			

General Revenues:

Property Tax Levied For:

General purposes

Debt service

Capital outlay

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total General Revenues

Change in net assets before sale of assets

Sale of assets

Change in net assets

Net assets beginning of year

Net Assets End of Year

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities	Total
\$	1,925,349	\$ -	\$ 1,925,349
	319,405	-	319,405
	257,203	-	257,203
	339,694	-	339,694
	2,249,253	-	2,249,253
	46,570	360	46,930
	3,326	1,806	5,132
\$	5,140,800	\$ 2,166	\$ 5,142,966
\$	475,144	\$ -6,555	\$ 468,589
	670	-	670
\$	475,814	\$ -6,555	\$ 469,259
	3,777,742	36,448	3,814,190
\$	4,253,556	\$ 29,893	\$ 4,283,449

Grundy Center Community School District

**Balance Sheet
Governmental Funds**

June 30, 2007

	General	Capital Projects	Non-Major Special Revenue	Total
Assets				
Cash and pooled investments	\$ 916,795	\$ 125,784	\$ 257,417	\$ 1,299,996
Receivables:				
Property Tax:				
Delinquent	28,768	-	13,254	42,022
Succeeding year	1,673,393	-	773,077	2,446,470
Accounts	915	-	1,214	2,129
Due from other governments	34,286	17,994	-	52,280
Due from other funds	7,807	-	-	7,807
Total Assets	\$ 2,661,964	\$ 143,778	\$ 1,044,962	\$ 3,850,704
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 33,503	\$ 8,010	\$ 4,548	\$ 46,061
Salaries and benefits payable	-	-	5,372	5,372
Deferred Revenue:				
Succeeding year property tax	1,673,393	-	773,077	2,446,470
Total Liabilities	\$ 1,706,896	\$ 8,010	\$ 782,997	\$ 2,497,903
Fund Balances:				
Unreserved	\$ 955,068	\$ 135,768	\$ 261,965	\$ 1,352,801
Total Liabilities and Fund Balances	\$ 2,661,964	\$ 143,778	\$ 1,044,962	\$ 3,850,704

See notes to financial statements.

Grundy Center Community School District

**Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets**

June 30, 2007

Total fund balances of governmental funds (page 16)	\$ 1,352,801
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	5,600,247
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-25,350
Long-term liabilities, including bonds and notes payable, early retirement, and accrued vacations are not due and payable in the current period and, therefore, are not reported in the funds	<u>-2,674,142</u>
Net assets of governmental activities (page 13)	<u>\$ 4,253,556</u>

Grundy Center Community School District

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

Year Ended June 30, 2007

	General	Capital Projects	Non-Major Special Revenue	Total
Revenues:				
Local Sources:				
Local tax	\$ 1,714,881	\$ -	\$ 787,076	\$ 2,501,957
Tuition	415,217	-	-	415,217
Other	221,524	341,879	309,847	873,250
Intermediate sources	-	-	-	-
State sources	2,705,369	-	573	2,705,942
Federal sources	226,312	-	25,000	251,312
Total Revenues	\$ 5,283,303	\$ 341,879	\$ 1,122,496	\$ 6,747,678
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,420,452	\$ -	\$ 134,415	\$ 2,554,867
Special instruction	669,725	-	-	669,725
Other instruction	569,027	-	268,695	837,722
	\$ 3,659,204	\$ -	\$ 403,110	\$ 4,062,314
Support Services:				
Student services	\$ 94,580	\$ -	\$ 780	\$ 95,360
Instructional staff services	251,867	-	420	252,287
Administration services	601,157	-	3,970	605,127
Operation and maintenance of plant services	443,214	12,800	72,441	528,455
Transportation services	176,532	-	9,292	185,824
	\$ 1,567,350	\$ 12,800	\$ 86,903	\$ 1,667,053
Non-instructional programs	\$ -	\$ -	\$ -	\$ -
Other Expenditures:				
Facilities acquisition	\$ -	\$ 197,180	\$ 105,463	\$ 302,643
Long-Term Debt:				
Principal	-	-	444,816	444,816
Interest and fiscal charges	-	-	117,043	117,043
AEA flow-through	194,979	-	-	194,979
	\$ 194,979	\$ 197,180	\$ 667,322	\$ 1,059,481
Total Expenditures	\$ 5,421,533	\$ 209,980	\$ 1,157,335	\$ 6,788,848
Excess (deficiency) of revenues over (under) expenditures	\$ -138,230	\$ 131,899	\$ -34,839	\$ -41,170
Other Financing Sources (Uses):				
Sale of equipment	670	-	-	670
Transfers in	-	-	243,147	243,147
Transfers out	-	-117,627	-127,285	-244,912
Total other financing sources (uses)	\$ 670	\$ -117,627	\$ 115,862	\$ -1,095
Net change in fund balances	\$ -137,560	\$ 14,272	\$ 81,023	\$ -42,265
Fund balances beginning of year	1,092,628	121,496	180,942	1,395,066
Fund Balances End of Year	\$ 955,068	\$ 135,768	\$ 261,965	\$ 1,352,801
See notes to financial statements.				

Grundy Center Community School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2007

Net change in fund balances – total governmental funds (page 18) \$ -42,265

***Amounts reported for governmental activities in the Statement of Activities are
different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 360,385	
Depreciation expense	<u>-314,623</u>	45,762

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	\$ -17,758	
Repaid	<u>444,816</u>	427,058

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

8,599

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Accrued vacations	\$ 745	
Early retirement	<u>35,915</u>	36,660

Change in Net Assets of Governmental Activities (page 15) \$ 475,814

Grundy Center Community School District

**Statement of Net Assets
Proprietary Fund**

June 30, 2007

	School Nutrition
Assets	
Cash and cash equivalents	\$ 50
Accounts receivable	432
Due from other governments	3,444
Inventories	1,248
Capital assets, net of accumulated depreciation	48,453
Total Assets	\$ 53,627
Liabilities	
Excess of warrants over bank balance	\$ 11,843
Due to other funds	7,807
Deferred revenue	4,084
Total Liabilities	\$ 23,734
Net Assets	
Invested in capital assets, net of related debt	\$ 20,306
Unrestricted	9,587
Total Net Assets	\$ 29,893

Grundy Center Community School District

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund**

June 30, 2007

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 187,445
Refund of prior year expense	41
	<u>\$ 187,486</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 82,552
Benefits	33,994
Purchased services	5,004
Supplies	196,199
Depreciation	10,861
Total operating expenses	<u>\$ 328,610</u>
Operating loss	<u>\$ -141,124</u>
Non-operating revenues:	
State sources	\$ 3,560
Federal sources	128,884
Interest income	360
Total non-operating revenues	<u>\$ 132,804</u>
Change in net assets	\$ -8,320
Transfer in	1,765
Net assets beginning of year	<u>36,448</u>
Net Assets End of Year	<u>\$ 29,893</u>

Grundy Center Community School District

**Statement of Cash Flows
Proprietary Fund**

Year Ended June 30, 2007

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 183,566
Cash paid to employees for services	-114,781
Cash paid to suppliers for goods or services	-185,304
Net cash used by operating activities	<u>\$ -116,519</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,560
Federal grants received	112,428
Net cash provided by non-capital financing activities	<u>\$ 115,988</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -9,894</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 360</u>
Net decrease in cash and cash equivalents	\$ -10,065
Transfer in	1,765
Cash and cash equivalents beginning of year	<u>-3,493</u>
Cash and Cash Equivalents End of Year	<u>\$ -11,793</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -141,124
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	16,456
Depreciation	10,861
Decrease in inventories	1,233
(Increase) in accounts receivable	-3,424
(Decrease) in accounts payable	-2,044
Increase in deferred revenue	1,523
Net Cash Used by Operating Activities	<u>\$ -116,519</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$16,456 of federal commodities.

Grundy Center Community School District

**Statement of Fiduciary Net Assets
Fiduciary Funds**

June 30, 2007

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 499	\$ 5,388
Liabilities		
Accounts payable	\$ -	\$ 5,388
Net Assets		
Reserved for scholarships	\$ 499	\$ -

Grundy Center Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2007

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ -
Deductions:	
Support services:	
Services	\$ -
Change in net assets	\$ -
Net assets beginning of year	<u>499</u>
Net Assets End of Year	<u>\$ 499</u>

Grundy Center Community School District

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

Grundy Center Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Grundy Center, Iowa and portions of the predominately agricultural territories in Grundy and Tama Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Grundy Center Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Grundy Center Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds, which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Funds are used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

The Agency Funds are used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Funds are custodial in nature, assets equal liabilities, and they do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements in the non-instructional programs functional area exceed the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) Due From and Due to Other Funds

The detail of inter-fund receivables and payable at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise, School Nutrition Fund	\$ 7,807

The School Nutrition Fund owes the General Fund for expenses paid by the General Fund in prior years. The amount due will be paid when funds become available.

(4) Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue:	
	Physical Plant and Equipment Levy	\$ 125,520
Nutrition Fund	Management Fund	1,765
Debt Service	Capital Projects	117,627
		\$ 244,912

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 21,252	\$ -	\$ -	\$ 21,252
Total capital assets not being depreciated	\$ 21,252	\$ -	\$ -	\$ 21,252
Capital assets being depreciated:				
Buildings	\$ 6,753,921	\$ 172,657	\$ -	\$ 6,926,578
Improvements other than buildings	424,264	12,832	-	437,096
Furniture and equipment	3,483,634	174,896	-	3,658,530
Total capital assets being depreciated	\$ 10,661,819	\$ 360,385	\$ -	\$ 11,022,204
Less accumulated depreciation for:				
Buildings	\$ 2,930,890	\$ 104,272	\$ -	\$ 3,035,162
Improvements other than buildings	206,916	11,391	-	218,307
Furniture and equipment	1,990,780	198,960	-	2,189,740
Total accumulated depreciation	\$ 5,128,586	\$ 314,623	\$ -	\$ 5,443,209
Total capital assets being depreciated, net	\$ 5,533,233	\$ 45,762	\$ -	\$ 5,578,995
Governmental Activities Capital Assets, Net	\$ 5,554,485	\$ 45,762	\$ -	\$ 5,600,247

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 121,509	\$ 9,894	\$ 8,112	\$ 123,291
Less accumulated depreciation	72,089	10,861	8,112	74,838
Business Type Activities Capital Assets, Net	\$ 49,420	\$ -967	\$ -	\$ 48,453

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 216,523
Special	7,414
Other	261

Support services:

Administration	8,759
Operation and maintenance of plant	30,999
Transportation	50,667

Total Depreciation Expense – Governmental Activities \$ 314,623

Business Type Activities:

Food service operations	<u>\$ 10,861</u>
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(6) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Revenue bond	\$ 850,000	\$ -	\$ 85,000	\$ 765,000	\$ 85,000
General obligation bonds	1,675,000	-	245,000	1,430,000	130,000
Capital leases	31,937	17,758	35,390	14,305	5,919
Notes payable	188,620	-	79,426	109,194	83,702
Early retirement	388,117	-	35,915	352,202	55,314
Accrued vacations	4,186	-	745	3,441	3,441
Total	\$ 3,137,860	\$ 17,758	\$ 481,476	\$ 2,674,142	\$ 363,376

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed twenty years of service to the District, of which fifteen years must be consecutive. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement incentives are equal to a cash payment equal to the employee's current salary minus the current base. Early retirement expenditures for the year ended June 30, 2007 totaled \$35,915.

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ended June 30,	Revenue Bond Issued March 1, 2006			
	Interest Rates	Principal	Interest	Total
2008	3.75%	\$ 265,000	\$ 53,063	\$ 318,063
2009	3.75%	275,000	42,937	317,937
2010	3.75-4.00%	280,000	32,625	312,625
2011	4.00%	300,000	21,400	321,400
2012	4.00%	310,000	9,300	319,300
Total		\$ 1,430,000	\$ 159,325	\$ 1,589,325

During the year ended June 30, 2007, the District made principal and interest payments totaling \$318,312.

Prior Year Debt Defeasance

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investment and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes the debt has been considered defeased and therefore removed as a liability from the District's Long-Term Debt. As of June 30, 2007, the amount of defeased debt outstanding but removed from the Long-Term Debt amounted to \$1,875,000.

Capital Leases

The District has leased a copier and laptop computers, which are being accounted for as capital leases. The following is a schedule of future lease payments under the capital leases, as of June 30, 2007.

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Copier	\$ -	\$ 17,758	\$ 3,453	\$ 14,305	\$ 5,919
Laptop computers	31,937	-	31,937	-	-
Total	\$ 31,937	\$ 17,758	\$ 35,390	\$ 14,305	\$ 5,919

During the year ended June 30, 2007 the District made principal and interest payments totaling \$41,347 under the agreements.

Revenue Bond Payable

Details of the District's June 30, 2007 revenue bond indebtedness are as follow:

Year Ended June 30,	Revenue Bond Issued August 4, 2004			
	Interest Rates	Principal	Interest	Total
2008	3.15%	\$ 85,000	\$ 30,119	\$ 115,119
2009	3.50%	85,000	27,293	112,293
2010	3.75%	90,000	24,117	114,117
2011	4.10%	95,000	20,483	115,483
2012	4.30%	95,000	16,492	111,492
2013	4.45%	100,000	12,225	112,225
2014	4.60%	105,000	7,585	112,585
2015	4.70%	110,000	2,585	112,585
Total		\$ 765,000	\$ 140,899	\$ 905,899

During the year ended June 30, 2007, the District made principal and interest payments totaling \$117,626 under the agreement.

Capital Loan Notes

The District issued \$482,146 of capital loan notes during the year ended June 30, 2003 to finance a heating and air conditioning project at the high school. The payments are due are follows:

Year Ended June 30,	Interest Rates	Principal	Interest	Total
2008	4.05%	\$ 83,702	\$ 4,298	\$ 88,000
2009	4.00%	25,492	645	26,137
Total		\$ 109,194	\$ 4,943	\$ 114,137

During the year ended June 30, 2007, the District made principal and interest payments totaling \$88,000 under the agreements.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$177,311, \$170,603, and \$165,334, respectively, equal to the required contributions for each year.

(8) Risk Management

Grundy Center Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$194,979 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Required Supplementary Information

Grundy Center Community School District

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund**

Required Supplementary Information

Year Ended June 30, 2007

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 3,790,424	\$ 187,846
Intermediate sources	-	-
State sources	2,705,942	3,560
Federal sources	251,312	128,884
Total Receipts	<u>\$ 6,747,678</u>	<u>\$ 320,290</u>
Disbursements:		
Instruction	\$ 4,062,314	\$ -
Support services	1,667,053	-
Non-instructional programs	-	328,610
Other expenditures	1,059,481	-
Total Disbursements	<u>\$ 6,788,848</u>	<u>\$ 328,610</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -41,170	\$ -8,320
Other financing sources, net	<u>-1,095</u>	<u>1,765</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ -42,265	\$ -6,555
Balances beginning of year	<u>1,395,066</u>	<u>36,448</u>
Balances End of Year	<u>\$ 1,352,801</u>	<u>\$ 29,893</u>

See accompanying independent auditor's report.

	Total		Budgeted	Amounts		Final To
	Actual		Original	Final		Actual
						Variance
\$	3,978,270	\$	4,038,990	\$	4,038,990	\$ -60,720
	-		-		-	-
	2,709,502		2,678,078		2,678,078	31,424
	380,196		386,000		386,000	-5,804
\$	7,067,968	\$	7,103,068	\$	7,103,068	\$ -35,100
\$	4,062,314	\$	4,222,748	\$	4,222,748	\$ -160,434
	1,667,053		1,829,455		1,829,455	-162,402
	328,610		290,000		315,000	13,610
	1,059,481		1,063,814		1,328,814	-269,333
\$	7,117,458	\$	7,406,017	\$	7,696,017	\$ -578,559
\$	-49,490	\$	-302,949	\$	-592,949	\$ 543,459
	670		-		-	670
\$	-48,820	\$	-302,949	\$	-592,949	\$ 544,129
	1,431,514		1,090,879		640,154	791,360
\$	1,382,694	\$	787,930	\$	47,205	\$ 1,335,489

Grundy Center Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$290,000.

During the year ended June 30, 2007, disbursements in the non-instructional programs function exceeded the amount budgeted.

Other Supplementary Information

Grundy Center Community School District

Combining Balance Sheet
Non-Major Special Revenue Funds

June 30, 2007

	Management	Debt Service	Physical Plant and Equipment Levy	Student Activity	Total
Assets					
Cash and pooled investments	\$ 3,727	\$ 27,003	\$ 112,845	\$ 113,842	\$ 257,417
Receivables:					
Property Tax:					
Delinquent	3,610	5,342	4,302	-	13,254
Succeeding year	206,113	312,743	254,221	-	773,077
Accounts	-	-	-	1,214	1,214
Total Assets	\$ 213,450	\$ 345,088	\$ 371,368	\$ 115,056	\$ 1,044,962
Liabilities & Fund Equity					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 2,784	\$ 1,764	\$ 4,548
Salaries and benefits payable	5,372	-	-	-	5,372
Deferred Revenue:					
Succeeding year property tax	206,113	312,743	254,221	-	773,077
Total Liabilities	\$ 211,485	\$ 312,743	\$ 257,005	\$ 1,764	\$ 782,997
Fund Equity:					
Unreserved fund balances	\$ 1,965	\$ 32,345	\$ 114,363	\$ 113,292	\$ 261,965
Total Liabilities & Fund Equity	\$ 213,450	\$ 345,088	\$ 371,368	\$ 115,056	\$ 1,044,962

Grundy Center Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Special Revenue Funds

Year Ended June 30, 2007

	Management	Debt Service	Physical Plant and Equipment Levy	Student Activity	Total
Revenues:					
Local Sources:					
Local tax	\$ 210,468	\$ 319,405	\$ 257,203	\$ -	\$ 787,076
Other	4,554	1,381	22,389	281,523	309,847
State sources	156	231	186	-	573
Federal sources	-	-	25,000	-	25,000
Total Revenues	<u>\$ 215,178</u>	<u>\$ 321,017</u>	<u>\$ 304,778</u>	<u>\$ 281,523</u>	<u>\$ 1,122,496</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 134,415	\$ -	\$ -	\$ -	\$ 134,415
Other instruction	-	-	-	268,695	268,695
Support Services:					
Student services	780	-	-	-	720
Instructional staff services	420	-	-	-	480
Administration services	3,970	-	-	-	3,970
Operation and maintenance of plant services	36,999	-	35,442	-	72,441
Transportation	9,292	-	-	-	9,292
Other Expenditures:					
Facilities acquisition	-	-	105,463	-	105,463
Long-term debt:					
Principal	-	444,816	-	-	444,816
Interest and fees	-	117,043	-	-	117,043
Total Expenditures	<u>\$ 185,876</u>	<u>\$ 561,859</u>	<u>\$ 140,905</u>	<u>\$ 268,695</u>	<u>\$ 1,157,335</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 29,302</u>	<u>\$ -240,842</u>	<u>\$ 163,873</u>	<u>\$ 12,828</u>	<u>\$ -34,839</u>
Other Financing Sources (Uses):					
Operating transfers in	\$ -	\$ 243,147	\$ -	\$ -	\$ 243,147
Operating transfer out	-1,765	-	-125,520	-	-127,285
Total Other Financing Sources (Uses)	<u>\$ -1,765</u>	<u>\$ 243,147</u>	<u>\$ -125,520</u>	<u>\$ -</u>	<u>\$ 115,862</u>
Excess of revenues & other financing sources over expenditures & other financing uses	<u>\$ 27,537</u>	<u>\$ 2,305</u>	<u>\$ 38,353</u>	<u>\$ 12,828</u>	<u>\$ 81,023</u>
Fund balances beginning of year	<u>-25,572</u>	<u>30,040</u>	<u>76,010</u>	<u>100,464</u>	<u>180,942</u>
Fund Balances End of Year	<u>\$ 1,965</u>	<u>\$ 32,345</u>	<u>\$ 114,363</u>	<u>\$ 113,292</u>	<u>\$ 261,965</u>

See accompanying independent auditor's report.

Grundy Center Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2007

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Change	\$ 214	\$ -	\$ -	\$ -	\$ 214
Interest on investments	8,148	2,469	-	-	10,617
Student activity ticket sales	9,487	-	9,487	-	-
Past graduates	3,836	-	831	687	3,692
Class of 2006	687	-	-	-687	-
Class of 2007	2,056	2,078	2,863	-	1,271
Class of 2008	1,398	4,542	3,652	-	2,288
Class of 2009	145	1,005	116	-	1,034
Class of 2010	109	35	-	-	144
Class of 2011	117	307	316	-	108
Class of 2012	116	74	-	-	190
Cross country	147	3,795	5,469	-	-1,527
Dance team	1,031	9,362	8,975	-	1,418
Vocal music/GC Jazz	5,104	7,590	8,699	-	3,995
Foreign student club	14	-	-	-	14
Spirit force (Pep club)	-401	-	-	-	-401
Drama/speech	3,789	2,806	2,038	-	4,557
Sharks	266	-	-	-	266
Elementary vocal music	1,179	-	-	-	1,179
Annual	9,120	9,430	12,145	-	6,405
Band	6,763	3,939	5,728	-	4,974
TSA	-4	-	-	-	-4
Mexico trip	1	-	-	-	1
Middle School student senate	5,280	8,593	5,962	-1,096	6,815
National Honor Society	-355	903	1,004	-	-456
Athletic Boosters Concessions	20,950	-	-	-20,950	-
High School student senate	426	6,165	6,612	-	-21
Art club	199	139	-	-	338
Spanish club	4	-	-	-	4
TAG club	3,071	2,023	1,326	-	3,768
Middle School fund	2,038	-	181	-	1,857
Elementary student senate	24,211	42,739	36,825	-	30,125
FFA	3,994	10,842	9,762	-	5,074
Fellowship of Christian Athletes	372	-	98	-	274
G club	-2,402	-	-	-	-2,402
Girls softball	-5,787	4,296	4,487	-	-5,978
Boys basketball	22,357	14,725	14,587	-	22,495
Football	13,295	31,018	34,067	-	10,246
Boys baseball	-11,405	14,884	12,349	-	-8,870
Boys track	-8,290	2,410	4,611	-	-10,491
Boys tennis	337	1,941	805	-	1,473
Boys golf	-253	1,308	905	-	150
Athletics-general	-27,155	2,660	11,317	-	-35,812
Music department	-	11,895	7,744	-	4,151

Grundy Center Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2007

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Hall of Fame	\$ -	\$ 2,827	\$ 2,827	\$ -	\$ -
MS Read Across America	-	1,112	979	1,096	1,229
Soccer	-4,275	6,042	2,467	-	-700
Spartan clothing	51	657	612	-	96
Concessions	1,175	26,041	18,191	20,950	29,975
Wrestling	3,093	4,319	808	-	6,604
Girls basketball	9,285	11,114	5,420	-	14,979
Girls volleyball	12,496	13,352	12,962	-	12,886
Girls track	-6,620	4,874	4,372	-	-6,118
Girls tennis	-839	1,400	540	-	21
Girls golf	-3,780	1,289	2,094	-	-4,585
Cheerleaders	1,570	2,456	2,126	-	1,900
Camps	207	106	-	-	313
Academic Decathlon	-6,108	1,961	2,336	-	-6,483
Totals	\$ 100,464	\$ 281,523	\$ 268,695	\$ -	\$ 113,292

Grundy Center Community School District

**Schedule of Changes in Fiduciary Assets and Liabilities –
Agency Funds**

Year ended June 30, 2007

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 5,226	\$ 314	\$ 152	\$ 5,388
Total Assets	<u>\$ 5,226</u>			<u>\$ 5,388</u>
Liabilities				
Accounts payable	\$ 5,226	\$ 5,388	\$ 5,226	\$ 5,388
Total Liabilities	<u>\$ 5,226</u>			<u>\$ 5,388</u>

Grundy Center Community School District

**Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds**

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
Revenues:				
Local Sources:				
Local tax	\$ 2,501,957	\$ 2,458,970	\$ 2,395,998	\$ 2,540,526
Tuition	415,217	399,585	487,874	462,348
Other	873,250	748,472	832,296	638,944
Intermediate sources	-	-	-	-
State sources	2,705,942	2,659,509	2,498,444	2,323,697
Federal sources	251,312	356,802	99,457	104,417
Total	\$ 6,747,678	\$ 6,623,338	\$ 6,314,069	\$ 6,069,932
Expenditures:				
Instruction:				
Regular instruction	\$ 2,554,867	\$ 2,595,156	\$ 2,178,448	\$ 2,110,808
Special instruction	669,725	641,467	640,435	674,859
Other instruction	837,722	869,596	786,938	676,753
Support services:				
Student services	95,360	103,293	110,848	226,532
Instructional staff services	252,287	261,425	191,869	106,114
Administration services	605,127	571,840	576,288	583,209
Operation and maintenance of plant services	528,455	535,578	502,216	555,027
Transportation services	185,824	250,452	222,599	242,887
Central support services	-	-	-	-
Non-instructional programs	-	-	370	7,000
Other expenditures:				
Facilities acquisition	302,643	253,858	908,150	22,705
Long-term debt:				
Principal	444,816	393,851	354,479	363,194
Interest and other charges	117,043	158,870	118,524	133,838
AEA flow-through	194,979	186,044	178,953	179,854
Total	\$ 6,788,848	\$ 6,821,430	\$ 6,770,117	\$ 5,882,780

**Independent Auditor's Report Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards**

Independent Auditor's Report Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards

To the Board of Education of
Grundy Center Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Grundy Center Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated December 14, 2007. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Grundy Center Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Grundy Center Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Grundy Center Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Grundy Center Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Grundy Center Community School District's financial statements that is more inconsequential will not be prevented or detected by Grundy Center Community School District's internal control. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Grundy Center Community School District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe item I-A-07 is a material weakness

Compliance and Other Matters

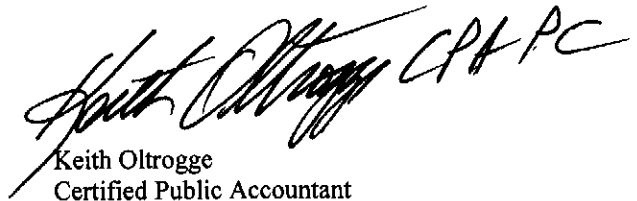
As part of obtaining reasonable assurance about whether Grundy Center Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Grundy Center Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Grundy Center Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Grundy Center Community School District and other parties to whom Grundy Center Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Grundy Center Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

December 14, 2007

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2007

Part I – Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2007

Part II - Other Findings Related to Statutory Reporting:

- II-A-07 Certified Budget – Disbursements for the year ended June 30, 2007 exceeded the amended certified budget amounts in the non-instructional program function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

- II-B-07 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- II-C-07 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-07 Business Transactions – No business transactions between the District and District officials or employees were noted.

- II-E-07 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

- II-F-07 Board Minutes – No transactions requiring Board approval, which had not been approved by the Board, were noted.

- II-G-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

- II-H-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

- II-I-07 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

- II-J-07 Deficit Balances – Fourteen student activity accounts had deficit balances at June 30, 2007.

Recommendation – The District should investigate alternatives to eliminate this deficit in order to return these accounts to a sound financial condition.

Response – The District is investigating alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.